

LRB – FISCAL REVIEW SECTION ANALYSIS

JUNE 29, 2005 AGENDA

ITEM 16 FILE 050286

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FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #050285 is a resolution authorizing the Commissioners of Public Debt to market general obligation "corporate purpose notes" pursuant to provisions of Ch. 67, Stats. and File #050286 is a substitute initial resolution authorizing the borrowing of not to exceed \$441,000,000; providing for the issuance of and sale of General Obligation securities therefore; and levying a tax in connection therewith.

Background

1. The Wisconsin's Legislature's version of the Budget contains a limit on local property tax levies for 2006, 2007 and 2008. If included in the final budget, the levy limit would have a negative impact on the City of Milwaukee's ability to issue debt. The concerns of the Mayor, Comptroller, Common Council President and Finance Personnel Committee chair regarding the impact of a levy freeze on City of Milwaukee's debt service were expressed in a June 20, 2005 joint letter to the State Legislature (See Attachment A). Their concerns regarding a property tax levy freeze include the following:
 - Levy limit will impair the City's cash flow borrowing
 - In order to pay bondholders the City will have to make additional cuts to its operating levy.
 - New TIDs will be more difficult to initiate
 - Negative impact on the City's bond rating.
2. Resolution #050285 authorizes the issuance of up to \$100 million in corporate purpose notes. \$50 million of the \$100 million is for the estimated cash flow borrowing needs of the City for 2005. The remaining \$50 million is based on an estimate of the City's short-term borrowing needs for capital improvement and economic development projects.
3. Resolution #050286 authorizes the issuance of up to \$441 million in general obligation bonds. The \$441 million is based on an estimate of the City's 3-year (2006, 2007, 2008) long-term borrowing needs for capital improvement and economic development projects.
4. If adopted before July 1, 2005, the debt authorized in these resolutions would not be subject to the current version of the Legislature's levy limit. This will provide the City more flexibility in capital and economic development projects over the next three years.

Fiscal Impact

The resolutions have no fiscal impact. Additional legislation (adoption of annual budget) will provide expenditure authority for projects. The fiscal impact of debt issuance is also determined by factors such as the actual amount borrowed, when the borrowing takes place and interest rates at the time of borrowing.

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